

MITCHELL COUNTY ECONOMIC
DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS

JUNE 30, 2020

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MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

OFFICIALS/MEMBERS

Rick Bodensteiner	Chairman	Osage Development Corporation
Mark Jensen	Vice-Chairman	Riceville Development Corporation
Harlan Bisbee	Treasurer	Stacyville Development Corporation
Randy Marcks	Board Member	St. Ansgar Development Corporation
Paul Groth	Board Member	City of St. Ansgar
Kelvin Palsic	Board Member	City of Osage
Terry Byrnes	Board Member	City of Riceville
Barb Francis	Board Member	Mitchell County
Roger Hemann	Board Member	City of Stacyville
Tony Stonecypher	Executive Director	
Tracy Church	Administrative Assistant	



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4 MAIN AVENUE SOUTH • BRITT, IOWA 50423
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155
(641) 843-3729
(641) 736-4324
(866) 259-3667

Independent Auditor's Report

To the Officials/Members of the Mitchell
County Economic Development Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Mitchell County Economic Development Commission as of and for the year ended June 30, 2020, and the related Notes to the Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Mitchell County Economic Development Commission as of June 30, 2020, and the changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2021 on our consideration of Mitchell County Economic Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mitchell County Economic Development Commission's internal control over financial reporting and compliance.

February 26, 2021



Renner & Birchem, P.C.
Mason City, Iowa

FINANCIAL STATEMENT

Mitchell County Economic Development Commission

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

As of and for the year ended June 30, 2020

Operating receipts:	
Membership dues	\$ 109,020
Contributions from private sources	13,500
Project income	481,340
Miscellaneous	574
Total operating revenues	<u>604,434</u>
Operating disbursements	
Salaries and benefits	115,326
Project expenses	559,571
Communication	13,274
Miscellaneous	1,250
Total operating disbursements	<u>689,421</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(84,987)</u>
Non-operating receipts (disbursements):	
Revolving loan advances	(10,000)
Revolving loan payments	13,433
Interest on investments	1,389
Other	18,610
Total non-operating receipts (disbursements)	<u>23,432</u>
Change in cash balance	(61,555)
Cash balances beginning of year	<u>302,835</u>
Cash balances end of year	<u>\$ 241,280</u>
Cash Basis Fund Balances	
Restricted:	
Revolving loan fund	\$ 75,606
Unassigned	165,674
Total cash basis fund balances	<u>\$ 241,280</u>

See notes to financial statements.

MITCHELL COUNTY ECONOMIC
DEVELOPMENT COMMISSION

Notes to Financial Statement

June 30, 2020

(1) Summary of Significant Accounting Policies

The Mitchell County Economic Development Commission (MCEDC) was formed July 1, 2001, under the intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Mitchell, Iowa, the cities of Osage, St. Ansgar, Stacyville, and Riceville, Iowa, and Development Corporations of Osage, St. Ansgar, Stacyville, and Riceville, Iowa.

The governmental commission consists of a representative appointed by the Mitchell County Board of Supervisors, and one representative appointed by each City Council of the following cities: Osage, St. Ansgar, Stacyville, and Riceville; and by each Development Corporation Board of the following corporations: Osage, St. Ansgar, Stacyville, and Riceville.

Under the 28E agreement each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the MCEDC. These member contributions are a critical financial source of the MCEDC. During the fiscal year ended June 30, 2020, the total contributions from public entity members were as follows:

Mitchell County	\$ 85,000
City of Osage	14,476
City of St. Ansgar	4,428
City of Stacyville	1,976
City of Riceville	<u>3,140</u>
	<u>\$109,020</u>

The MCEDC's financial statement is prepared on the basis of cash revenues and expenditures, which is a comprehensive basis of accounting other than U.S generally accepted accounting principles.

A. Reporting Entity

For financial reporting purposes, the Mitchell County Economic Development Commission has included all funds, organizations, agencies, boards, commissions and authorities. The MCEDC has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the MCEDC are such that exclusion would cause the MCEDC's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the MCEDC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the MCEDC. The MCEDC has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Mitchell County Economic Development Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the MCEDC is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Cash Basis Fund Balances

Funds set aside for the Revolving Loan Fund are restricted.

(2) Cash and Pooled Investments

The MCEDC's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The MCEDC is authorized by statute and the MCEDC's written investment policy to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the MCEDC Board.

The MCEDC had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The MCEDC's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments with maturities within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the MCEDC.

(3) Notes Receivable

Revolving Loan Fund

The MCEDC's mission of implementing economic development projects within Mitchell County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate of 4.395%. The terms of the notes are five and half years, with some extensions granted for hardships.

The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2021	\$ 18,000
June 30, 2022	12,518
June 30, 2023	11,395
June 30, 2024	9,053
June 30, 2025	<u>2,058</u>
	\$ <u>53,024</u>

(4) Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% for a total rate of 15.73%.

The Commission's contributions to IPERS for the year ended June 30, 2020 were \$7,818.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Commission reported a liability of \$54,736 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Commission's proportion was 0.0009452%, which was a decrease of 0.000400% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the Commission's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$10,069, \$8,603 and \$10,454 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates if salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	\$97,194	\$54,736	\$19,123

IPERS' Fiduciary Net Position - Detailed information about the IPERS's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

The Commission participates in the Mitchell County health medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the Entry Age Actuarial Cost method as of July 1, 2019 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$115,362 for Mitchell County as of June 30, 2020. The Commission's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are available in Mitchell County's audit report for the year ended June 30, 2020. The report may be obtained by writing to Mitchell County's Auditor's Office, 212 South 5th Street, Osage, IA 50461.

The Commission did not recognize a net OPEB liability for the other postemployment benefits, which would represent the Commission's portion of Mitchell County's net OPEB obligation, the amount could not be determined and appears to be immaterial.

(6) Related Party Transactions

The MCEDC had business transactions between the MCEDC and a MCEDC board member totaling \$3,295 during the year ended June 30, 2020.

(7) Risk Management

The MCEDC is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The MCEDC assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Construction Incentives Loan Agreement

The MCEDC is responsible for the awarding of economic development grants and/or forgivable loans for the promotion of construction activity in the Mitchell County Urban Renewable Area. \$1,695,000 is waiting to be awarded from Phase II of the Construction Incentive loan program as of June 30, 2020.

OTHER INFORMATION

Mitchell County Economic Development Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Other Information

	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.0009452%	0.0013449%	0.0012948%	0.0014571%	0.0014998%	0.001446%
Commission's proportionate share of the net pension liability	\$ 54,736	85,110	86,249	91,699	74,096	57,346
Commission's covered payroll	71,937	101,083	96,649	104,567	102,753	94,618
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report

Mitchell County Economic Development Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 7,818	6,791	9,027	8,631	9,338	9,176	8,449	7,370	6,740	4,828
Contributions in relation to the statutorily required contribution	(7,818)	(6,791)	(9,027)	(8,631)	(9,338)	(9,176)	(8,449)	(7,370)	(6,740)	(4,828)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Commission's covered payroll	\$ 82,820	71,937	101,083	96,649	104,567	102,753	94,618	85,004	83,513	69,463
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Mitchell County Economic Development Commission

Notes to Other Information – Pension Liability

June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement Performed in Accordance
with Government Auditing Standards

To the Officials/Members of the
Mitchell County Economic Development Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of Mitchell County Economic Development Commission (MCEDC), as of and for the year ended June 30, 2020, and the related notes to financial statement, and have issued our report thereon dated February 26, 2021. Our report expressed an unmodified opinion on the financial statement which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the MCEDC's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the MCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MCEDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of MCEDC's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MCEDC's financial statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mitchell County Economic Development Commission's Responses to Findings


MCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. MCEDC's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the MCEDC's during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

February 26, 2021


Renner & Birchem, P.C.
Mason City, Iowa

MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

Year Ended June 30, 2020

Part I: Findings Related to the Financial Statement:

Internal Control Deficiencies:

I-A-20 Preparation of Full Disclosure Financial Statement

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements required by generally accepted accounting principles in the United States of America.

Condition – During the audit, we noted that the Commission does not have the internal resources to prepare the full disclosure financial statements required by generally accepted accounting principles.

Cause – The Commission does not have the internal resources to prepare the full disclosure financial statements that are required by the cash basis of accounting.

Effect – Renner & Birchem, P.C. assists in the preparation of the full disclosure financial statements. Management of the Commission thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Recommendation – We realize that with a limited number of staff, gaining sufficient knowledge, expertise, and time to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that Commission officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response- We recognize our limitations however, it is not fiscally responsible to add additional staff.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

MITCHELL COUNTY ECONOMIC DEVELOPMENT COMMISSION

Schedule of Findings

Year Ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Travel Expense - No expenditures of MCEDC money for travel expenses of spouses of MCEDC officials or employees were noted.

II-B-20 Business Transactions - Business transactions between the MCEDC and MCEDC officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harlan Bisbee, Board Member	Accounting Services	\$3,295

In accordance with chapter 362.5(3)(j) of the Code of Iowa, the transactions with Harlan Bisbee do not appear to represent a conflict of interest since total transactions with Harlan Bisbee were less than \$6,000 during the fiscal year.

II-C-20 Bond Coverage - Surety bond coverage of MCEDC officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-D-20 Commission Minutes - Except as noted below, no transactions were found that we believe should have been approved in the Commission minutes but were not.

It was noted that certain invoices were not properly approved by the Commission.

Recommendation - The Commission should approve all disbursements.

Response - The Commission will ensure all disbursements are approved.

Conclusion - Response accepted.

II-E-20 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the MCEDC's investment policy.